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On the Immediate and Remote Effect of the Remission of Customs and Excise Duties on the Productiveness of those branches of the Revenue.
Communicated by DR. GUY.

[Read before the Statistical Society, 16th May, 1853.]

TOWARDS the close of last year, I laid before the Society a communication on the Relation of the Price of Wheat to the Revenue, in which communication I made use of certain results arrived at in previous papers on the Effect of the Remission of Taxes on the Revenue. On the occasion to which I refer, a very general wish was expressed by those who took part in the discussion, that the inquiry into the relation of the price of wheat to the revenue should be extended so as to embrace the effect produced by fluctuations in the price of that first necessary of life on those branches of the revenue—the customs and excise—which seemed most likely to be affected by them. Seeing the interest which the Society took in this subject, I have lost no time in preparing the way for the second branch of the inquiry, by instituting those preliminary investigations to which I have referred as preceding the communication on the Relation of the Price of Wheat to the Revenue. I have accordingly combined in this single communication the two distinct inquiries contained in the papers published in the Journal of this Society in June and September, 1852.

The object of this communication, therefore, is twofold:—1. To examine the effect, immediate and remote, of the remission or increase of customs and excise duties on the productiveness of the revenue from those two sources; and, 2. To prepare the way for the promised inquiry into the relation of the price of wheat to the revenue from customs and excise.

In entering upon the first of these inquiries, it is necessary to premise that the customs and excise duties are here grouped together for the same reason which induced the late Mr. Porter, in his work on the Progress of the Nation, to place them under the same head, namely, the frequent transference of duties from the one to the other. It is necessary further to state that the figures in the first columns of the following tables, headed “customs and excise,” represent the amounts received into the Exchequer from those two sources, after deduction made from the gross receipts of repayments and charges of collection. So that in this case, as in the tables contained in former communications respecting the ordinary revenue, the net receipts are made the basis of the calculations. The figures themselves have been

copied direct from the ninth column, headed "Payments into the Exchequer," of the Finance Returns of the United Kingdom for the period to which the paper refers. The estimated amounts of customs and excise duties reduced or repealed, increased or newly imposed, are taken, as were the corresponding figures in the communications just referred to, from Mr. Cardwell's Parliamentary Return, headed "Public Income and Expenditure, &c.," dated March 16, 1852.

The following table, with the exception of embracing a shorter period of time, is the counterpart of the table contained in the communication printed in the June number of the Journal of the Society for 1852. It presents the amount received into the Exchequer, in the shape of customs and excise duties, in each of the thirty years from 1822 to 1851 inclusive, the amounts in each year following, the increase or decrease, the excess of customs and excise duties reduced or repealed,* and the effect on the revenue under the three distinct heads of "Revenue restored and surplus of," of "Revenue partially restored to the extent of," and of "Revenue not restored, and further deficiency of."

TABLE I.

Year.	Customs and Excise, Amount re- ceived into the Exchequer.	Customs and Excise in the year following.	Increase or Decrease.	Excess of Customs' and Excise Duties Reduced or Repealed.	Revenue Restored and Surplus of.	Revenue Partially Restored to the extent of.	Revenue not Restored, and further Deficiency of.
1822	37,947,025	36,841,590	-1,105,435	1,901,101	....	795,666	....
1823	36,841,590	38,095,781	+1,254,191	1,667,107	1,254,191	....	....
1824	38,095,781	37,546,011	- 549,770	1,430,170	....	830,795	....
1825	37,546,011	36,452,731	-1,093,280	3,258,549	....	2,165,269	....
1826	36,452,731	36,333,112	- 119,619	1,725,987	....	1,606,368	....
1827	36,333,112	37,995,094	+1,661,982	21,402*	1,640,580	....	....
1828	37,995,094	36,751,851	-1,243,243	50,032	....	....	1,193,211
1829	36,751,851	36,184,707	- 567,144	126,406	....	....	440,738
1830	36,184,707	32,819,296	-3,365,411	3,397,951	....	97,540	....
1831	32,819,296	33,406,029	+ 586,733	995,950	586,733	....	....
1832	33,406,029	32,752,652	- 653,377	702,738	....	49,361	....
1833	32,752,652	33,294,552	+ 541,900	976,754	541,900	....	....
1834	33,294,552	33,615,273	+ 320,721	644,227	320,721	....	....
1835	33,615,273	36,042,885	+2,427,612	165,877	2,427,612	....	....
1836	36,042,885	33,958,420	-2,084,465	708,795	....	....	1,375,670
1837	33,958,420	34,478,417	+ 519,997	396*	519,601	....	....
1838	34,478,417	35,093,633	+ 615,216	8,134*	607,082	....	....
1839	35,093,633	35,536,468	+ 442,835	63,418	442,835	....	....
1840	35,536,468	35,577,680	+ 41,212	1,844,196*	....	....	1,802,984
1841	35,577,680	33,542,791	- 34,889	27,170	....	....	7,719
1842	33,542,791	33,911,246	+ 368,455	1,214,436	368,455	....	....
1843	33,911,246	35,812,872	+1,901,626	411,821	1,901,626	....	....
1844	35,812,872	33,782,439	-2,030,433	356,851	....	....	1,673,582
1845	33,782,439	34,557,219	+ 774,780	4,511,841	774,780	....	....
1846	34,557,219	32,908,108	-1,649,111	1,149,790	....	....	499,321
1847	32,908,108	35,153,187	+2,245,079	344,886	2,245,079	....	....
1848	35,153,187	34,622,284	- 530,903	585,968	....	55,065	....
1849	34,622,284	34,758,254	+ 135,970	388,798	135,970	....	....
1850	34,758,254	35,057,419	+ 299,165	790,151	299,165	....	....
1851	35,057,419	35,386,614	+ 329,195	801,064	329,195	....	....

* The asterisk in the fourth column of the table marks the exceptional years in which the customs' and excise duties increased or newly imposed exceeded those reduced or repealed.

In the thirty years comprised in this table, customs and excise duties have been remitted in excess of duties increased or newly imposed to the amount of 26,474,105*l*. In twenty-six out of the thirty years, the taxes reduced or repealed have exceeded those increased or newly imposed; while in the remaining four years, an opposite state of things prevailed. During these same thirty years, the total amount of taxes of all kinds reduced or repealed, in excess of those increased or newly imposed, amounted to 28,679,980*l*.; so that the balance of duties remitted in the customs and excise fell short by little more than two millions of the balance of all the duties remitted.

The immediate effect of this remission of customs and excise duties upon the productiveness of those branches of the revenue, in the twenty-six years, is shown in the following abstract, based on the figures contained in the last three columns of the table :—

1. Revenue from customs and excise restored with further increase	13 years.
2. Revenue partially restored	7 „
3. Revenue not restored and further falling off	6 „
4. Revenue wholly or partially restored	20 „

Of the four years in which the customs and excise duties increased or newly imposed exceeded those reduced or repealed, the amount of additional taxes was realised with further addition in three, and not realised in one. If the whole thirty years are divided into the three groups of successful, partially successful, and unsuccessful years, the results of the financial operations of the several years will be as follows :—

1. Successful years.....	16
2. Partially successful years	7
3. Unsuccessful years	7

It will be interesting and instructive to compare this result of the remission of excise and customs duties with the result of the remission of duties and taxes of all kinds, customs and excise duties included, in the same thirty years. This comparison is made in the following table :—

TABLE II.

	Customs and Excise.	All Branches.
1. Successful years.....	16	12
2. Partially successful years	7	7
3. Unsuccessful years.....	7	11

It appears, then, that the immediate effect of the repeal of customs and excise duties on the revenue derived from those two sources is more favourable than the immediate effect of the repeal of imports of every kind on the total net ordinary revenue from all sources.

In some of the years comprised in the table, the immediate effect of the remission of customs and excise duties on the yield of those branches of the revenue was very remarkable; but I must content myself with one illustration.

In the year 1845, customs and excise duties to the amount of 4,511,841*l.* were remitted, and yet the customs and excise in the following year, 1846, had not only recovered themselves, but actually exhibited an increase of 774,780*l.*

The total amount of customs and excise duties reduced or repealed in excess of duties increased or newly imposed is, as has been already stated, 26,474,105*l.*; but as the amount of customs and excise duties in 1851 falls considerably short of the amount in 1822, the gain to the nation is represented by a smaller amount. In 1822, the customs and excise yielded 37,947,025*l.*, and in 1851, 35,057,419*l.* There was, therefore, a falling off of 2,889,606*l.*; and the sum remitted under the head of customs and excise duties, without injury to the revenue, is 26,474,105*l.*, less 2,889,606*l.*, or 23,584,499*l.*

The same sort of calculation for the respective periods of five, ten, fifteen, and thirty years, is made in the following table, which is the counterpart of Table II. contained in the communication made to the Society on the 21st of June, 1852, with the exception that the net revenue from customs and excise duties is substituted for the net ordinary revenue.

TABLE III.

	Customs and Excise in First Year of the Series.	Customs and Excise in Last Year of the Series.	Increase or Decrease.	Excess of Customs and Excise Duties Reduced or Repealed.	Gain to the Nation.
<i>Periods of Five Years.</i>					
1822 to 1826	37,947,025	36,452,731	-1,494,294	9,933,309	8,439,015
1827 „ 1831	36,333,112	32,819,296	-3,513,816	4,548,937	1,035,121
1832 „ 1836	33,406,029	36,042,885	+ 2,636,856	3,198,391	6,835,247
1837 „ 1841	33,958,420	35,577,680	+ 1,619,260	1,762,138*	142,878†
1842 „ 1846	33,542,791	34,557,219	+ 1,014,428	7,644,739	8,659,167
1847 „ 1851	32,908,108	35,057,419	+ 2,149,311	2,910,867	5,060,178
<i>Periods of Ten Years.</i>					
1822 to 1831	37,947,025	32,819,296	-5,127,729	14,482,246	9,354,517
1832 „ 1841	33,406,029	35,577,219	+ 2,171,190	1,436,253	3,607,443
1842 „ 1851	33,542,791	35,057,419	+ 1,514,628	10,555,606	12,070,234
<i>Periods of Fifteen Years.</i>					
1822 to 1836	37,947,025	36,042,885	-1,904,140	17,680,637	15,776,497
1837 „ 1851	33,958,420	35,057,419	+ 1,098,999	8,793,468	9,892,467
<i>Period of Thirty Years.</i>					
1822 to 1851	37,947,025	35,057,419	-2,889,606	26,474,105	23,584,499

* Excess of customs and excise duties imposed or increased. † Loss.

The general results to be derived from this table agree very closely with those deduced from the table already referred to, as embracing the net ordinary revenue. With the single exception of the quinquennial period 1837 to 1841, when the customs and excise duties increased or newly imposed exceeded those remitted or repealed, and the nation sustained a loss in customs and excise duties of 142,878*l.*, all the periods exhibit a more or less successful financial result. The remission of those duties proved eminently successful when measured by its effect on that portion of the public revenue which is derived from those sources. Duties to the amount of more than twenty-six millions were remitted in the thirty years under review, the revenue at the beginning of the period having been less than thirty-eight millions, and the decrease at the end of the period being less than three millions. In other words, upwards of twenty-six millions, out of a revenue amounting to less than thirty-eight millions, have been sacrificed during the last thirty years, and yet the whole of that twenty-six millions, with the exception of less than three millions, has been replaced. This is obviously a more successful result than was displayed by the total net ordinary revenue derived from all sources, inclusive of customs and excise; for out of the larger sum of nearly fifty-four millions, to which the net ordinary revenue amounted in the year 1822, the excess of duties remitted amounted to less than twenty-nine millions, and the loss to the revenue to about two millions. The comparison now instituted will be better understood by means of the following table:—

TABLE IV.

	Customs and Excise.	Residue.	Net Ordinary Revenue.
Revenue in 1822.....	37,947,025	15,705,448	53,652,473
„ 1851.....	35,057,419	16,612,134	51,669,553
Difference	2,889,606	906,686*	1,982,920
Excess of duties remitted	26,474,105	2,205,875	28,679,980
Remitted without loss to revenue	23,584,499	3,112,561	26,697,060
Per-centage proportion of revenue in } 1822	62	19	50

* Increase.

The elasticity of that part of the revenue which consists of customs and excise duties is placed by this table in a very striking light; for while the remissions effected, in the thirty years from 1822 to 1851, in the net ordinary revenue, without entailing loss, amounted to 50 per cent., and in the residue, consisting of duties other than those of customs and excise, to 19 per cent., the remissions effected in the customs and excise, without impairing the productiveness of those branches of the revenue, amounts to no less than 62 per cent.

A similar result, as regards this class of duties, is obtained, when the necessary corrections for increase of population are made, as in the following table, which, it will be observed, is a counterpart of Table III., inserted in the communication made to the Society, June, 1852.

TABLE V.

	Customs and Excise in First Year of the Series. A.	Gain to the Nation. B.	Sum of A and B.	Calculated Amount of Customs and Excise, in Last Year of Series, supposing an Increase equal to the Increase of Population, and no Remis- sion of Taxes.	Gain or Loss to the Nation, corrected.
<i>Periods of Five Years.</i>					
1822 to 1826	37,947,025	8,439,015	46,386,040	40,793,040	+ 5,593,000
1827 „ 1831	36,333,112	1,035,121	37,368,233	39,058,094	— 1,689,861
1832 „ 1836	33,406,029	6,835,247	40,241,276	35,744,451	+ 4,496,825
1837 „ 1841	33,958,420	142,878†	33,815,542	36,335,509	— 2,519,967
1842 „ 1846	33,542,791	8,659,167	42,201,958	35,555,358	+ 6,646,600
1847 „ 1851	32,908,108	5,060,178	37,968,286	34,942,594	+ 3,025,692
<i>Periods of Ten Years.</i>					
1822 to 1831	37,947,025	9,354,517	47,301,542	43,639,076	+ 3,662,466
1832 „ 1841	33,406,029	3,607,443	37,013,472	38,082,871	— 1,069,399
1842 „ 1851	33,542,791	12,070,234	45,613,025	37,567,925	+ 8,045,100
<i>Periods of Fifteen Years.</i>					
1822 to 1836	37,947,025	15,776,497	53,753,522	46,295,370	+ 7,458,152
1837 „ 1851	33,958,420	9,892,467	43,850,887	40,410,519	+ 3,440,368
<i>Period of Thirty Years.</i>					
1822 to 1851	37,947,025	23,584,499	61,531,524	55,782,226	+ 5,749,298

† Loss.

The results obtained from this table are the same in kind as the results of the table just referred to,* but they are generally greater in amount; for where there is a gain, it is uniformly greater, and where there is a loss, it is, with one exception, uniformly less. This superior elasticity and productiveness of the customs and excise duties will, however, be best seen in the following tabular comparison, in which the gain or loss to the nation accruing from changes in the customs and excise duties and in the ordinary revenue respectively for the several periods of five, ten, fifteen, and thirty years, are placed side by side in parallel columns.

* Table III. of the paper "On the Effect of the Remission of Taxes on the Revenue in the Thirty Years from 1822 to 1851 inclusive," read before the Statistical Society of London, 21st June, 1852, and published in the fifteenth volume of this Journal, p. 223.

The first column of the table is the same as the last column of Table V., while the second column, headed "Net Ordinary Revenue," is taken from the last column of Table III., inserted in the communication laid before the Society in the month of June, last year.

TABLE VI.

	Gain or Loss to the Nation.	
	Customs and Excise.	Net Ordinary Revenue.
<i>Periods of Five Years.</i>		
1822 to 1826	+ 5,593,000	+ 4,835,764
1827 „ 1831	- 1,689,861	- 2,572,840
1832 „ 1836	+ 4,496,825	+ 3,370,119
1837 „ 1841 ...	- 2,519,967	- 2,478,722
1842 „ 1846	+ 6,646,600	+ 5,885,225
1847 „ 1851 ...	+ 3,025,692	+ 2,241,932
<i>Periods of Ten Years.</i>		
1822 to 1831	+ 3,662,466	+ 1,913,697
1832 „ 1841	- 1,069,399	- 1,545,015
1842 „ 1851	+ 7,945,100	+ 6,796,150
<i>Periods of Fifteen Years.</i>		
1822 to 1836 ...	+ 7,458,152	+ 5,346,659
1837 „ 1851 ...	+ 3,440,368	+ 3,161,001
<i>Period of Thirty Years.</i>		
1822 to 1851	+ 5,749,298	+ 1,480,398

It will be seen that there is no period of years comprised in this table in which the gain to the nation from the remission of customs and excise duties is not greater than the gain to the nation arising from the remission of all duties, including the customs and excise; and that, with the exception of the quinquennial period from 1837 to 1841, the loss sustained is less. It follows, therefore, that there must have been a considerable loss entailed upon the revenue by the remission of duties belonging to that portion of the national receipts which has been designated in Table IV. as the residue. This statement is so fully borne out by the per-centage proportions in Table IV., that it is not necessary to enter into more minute calculations. The increase of the net ordinary revenue in the thirty years from 1822 to 1851 amounts, it will be seen, to about 50 per cent., being somewhat more than the per-centage increase of population for the same period, which was 47 per cent. This very moderate increase coincides with and confirms the moderate annual gain to the nation which was estimated in a former communication at 50,000%. On the other hand, while the financial operations in the departments of customs and excise have issued in an increase of 62 per cent., the increase of population having been 47 per cent., the financial operations bearing upon the residue

have yielded an increase of only 19 per cent., or considerably less than half that which would have been brought about by mere increase of population, had no reduction of duty taken place. These figures, then, are in perfect harmony with each other, at the same time that they confirm the results already arrived at in this communication, in proof of the greater elasticity of the revenue derived from customs and excise. While the increase in the net ordinary revenue exceeded the increase attributable to increase of population by about fifty thousand per annum, the increase in the two departments of the customs and excise amounted to no less than $\frac{5,749,298}{30}$, or 191,643*l.*, or between three and four times as much.

The results of the present inquiry, then, may be summed up as follows:—

1. The immediate effect of a remission of customs and excise duties on the revenue derived from those two sources is greater than the immediate effect of a remission of all duties, without exception, on the net ordinary revenue.

2. The effect of a remission of customs and excise duties on the productiveness of the revenue derived from those two branches is proportionably greater for periods of five, ten, fifteen, and thirty years, than the effect of the remission of imposts of all kinds (customs and excise duties included) on the productiveness of the net ordinary revenue for the same periods of time.

3. The increase of the customs and excise duties for the last thirty years has been at a greater rate than the increase of the net ordinary revenue; for while the annual increase in the net ordinary revenue has exceeded the increase due to the growth of population by only 50,000*l.* per annum, the increase in the departments of the customs and excise has exceeded by upwards of 190,000*l.* per annum the increase due to that cause.

By the calculations contained in this communication, the way is prepared for an inquiry into the effect of variations in the price of wheat on the productiveness of customs and excise duties, the results of which inquiry I hope to be able to lay before the Society on some future occasion.
